

E2SHB 1303 - S AMD 535
By Senator Poulsen

ADOPTED 04/13/2007

1 Strike everything after the enacting clause and insert the
2 following:

3 "NEW SECTION. **Sec. 1.** (1) The legislature finds that excessive
4 dependence on fossil fuels jeopardizes Washington's economic security,
5 environmental integrity, and public health. Accelerated development
6 and use of clean fuels and clean vehicle technologies will reduce the
7 drain on Washington's economy from importing fossil fuels. As fossil
8 fuel prices rise, clean fuels and vehicles can save consumers money
9 while promoting the development of a major, sustainable industry that
10 provides good jobs and a new source of rural prosperity. In addition,
11 clean fuels and vehicles protect public health by reducing toxic air
12 and climate change emissions.

13 (2) The legislature also finds that climate change is expected to
14 have significant impacts in the Pacific Northwest region in the near
15 and long-term future. These impacts include: Increased temperatures,
16 declining snowpack, more frequent heavy rainfall and flooding, receding
17 glaciers, rising sea levels, increased risks to public health due to
18 insect and rodent-borne diseases, declining salmon populations, and
19 increased drought and risk of forest fires. The legislature recognizes
20 the need at this time to continue to gather and analyze information
21 related to climate protection. This analysis will allow prudent steps
22 to be taken to avoid, mitigate, or respond to climate impacts and
23 protect our communities.

24 (3) Finally, the legislature finds that to reduce fossil fuel
25 dependence, build our clean energy economy, and reduce climate impacts,
26 the state should develop policies and incentives that help businesses,
27 consumers, and farmers gain greater access to affordable clean fuels
28 and vehicles and to produce clean fuels in the state. These policies
29 and incentives should include: Incentives for replacement of the most
30 polluting diesel engines, especially in school buses; transitional

1 incentives for development of the most promising in-state clean fuels
2 and fuel feedstocks, including biodiesel crops, ethanol from plant
3 waste, and liquid natural gas from landfill or wastewater treatment
4 gases; reduced fossil fuel consumption by state fleets; development of
5 promising new technologies for displacing petroleum with electricity,
6 such as "plug-in hybrids"; and impact analysis and emission accounting
7 procedures that prepare Washington to respond and prosper as climate
8 change impacts occur, and as policies and markets to reduce climate
9 pollution are developed.

10 **PART 1**

11 **INVESTING IN CLEAN AIR**

12 NEW SECTION. **Sec. 101.** A new section is added to chapter 28A.300
13 RCW to read as follows:

14 (1) The office of the superintendent of public instruction shall
15 implement a school bus replacement incentive program. As part of the
16 program, the office shall fund up to ten percent of the cost of a new
17 2007 or later model year school bus that meets the 2007 federal motor
18 vehicle emission control standards and is purchased by a school
19 district by no later than June 30, 2009, provided that the new bus is
20 replacing a 1994 or older school bus in the school district's fleet.
21 Replacement of the oldest buses must be given highest priority.

22 (2) The office of the superintendent of public instruction shall
23 ensure that buses being replaced through this program are surplusued
24 under RCW 28A.335.180. As part of the surplus process, school
25 districts must provide written documentation to the office of the
26 superintendent of public instruction demonstrating that buses being
27 replaced are scrapped and not purchased for road use. The
28 documentation must include bus make, model, year, vehicle
29 identification number, engine make, engine serial number, and salvage
30 yard receipts; and must demonstrate that the engine and body of the bus
31 being replaced has been rendered unusable.

32 (3) The office of the superintendent of public instruction may
33 adopt any rules necessary for the implementation of this act.

34 **Sec. 102.** RCW 70.94.017 and 2005 c 295 s 5 are each amended to
35 read as follows:

1 (1) Money deposited in the segregated subaccount of the air
2 pollution control account under RCW 46.68.020(2) shall be distributed
3 as follows:

4 (a) Eighty-five percent shall be distributed to air pollution
5 control authorities created under this chapter. The money must be
6 distributed in direct proportion with the amount of fees imposed under
7 RCW 46.12.080, 46.12.170, and 46.12.181 that are collected within the
8 boundaries of each authority. However, an amount in direct proportion
9 with those fees collected in counties for which no air pollution
10 control authority exists must be distributed to the department.

11 (b) The remaining fifteen percent shall be distributed to the
12 department.

13 (2) Money distributed to air pollution control authorities and the
14 department under subsection (1) of this section must be used as
15 follows:

16 (a) Eighty-five percent of the money received by an air pollution
17 control authority or the department is available on a priority basis to
18 retrofit school buses with exhaust emission control devices or to
19 provide funding for fueling infrastructure necessary to allow school
20 bus fleets to use alternative, cleaner fuels. In addition, the
21 director of ecology or the air pollution control officer may direct
22 funding under this section for other publicly or privately owned diesel
23 equipment if the director of ecology or the air pollution control
24 officer finds that funding for other publicly or privately owned diesel
25 equipment will provide public health benefits and further the purposes
26 of this chapter.

27 (b) The remaining fifteen percent may be used by the air pollution
28 control authority or department to reduce transportation-related air
29 contaminant emissions and clean up air pollution, or reduce and monitor
30 toxic air contaminants.

31 (3) Money in the air pollution control account may be spent by the
32 department only after appropriation.

33 (4) This section expires July 1, 2020.

34 **Sec. 103.** RCW 53.08.040 and 1989 c 298 s 1 are each amended to
35 read as follows:

36 (1) A district may improve its lands by dredging, filling,
37 bulkheading, providing waterways or otherwise developing such lands for

1 industrial and commercial purposes. A district may also acquire,
2 construct, install, improve, and operate sewer and water utilities to
3 serve its own property and other property owners under terms,
4 conditions, and rates to be fixed and approved by the port commission.
5 A district may also acquire, by purchase, construction, lease, or in
6 any other manner, and may maintain and operate other facilities for the
7 control or elimination of air, water, or other pollution, including,
8 but not limited to, facilities for the treatment and/or disposal of
9 industrial wastes, and may make such facilities available to others
10 under terms, conditions and rates to be fixed and approved by the port
11 commission. Such conditions and rates shall be sufficient to reimburse
12 the port for all costs, including reasonable amortization of capital
13 outlays caused by or incidental to providing such other pollution
14 control facilities(~~(+ PROVIDED, That)~~). However, no part of such
15 costs of providing any pollution control facility to others shall be
16 paid out of any tax revenues of the port(~~(+ AND PROVIDED FURTHER,~~
17 ~~That)~~) and no port shall enter into an agreement or contract to provide
18 sewer and/or water utilities or pollution control facilities if
19 substantially similar utilities or facilities are available from
20 another source (or sources) which is able and willing to provide such
21 utilities or facilities on a reasonable and nondiscriminatory basis
22 unless such other source (or sources) consents thereto.

23 (2) In the event that a port elects to make such other pollution
24 control facilities available to others, it shall do so by lease, lease
25 purchase agreement, or other agreement binding such user to pay for the
26 use of said facilities for the full term of the revenue bonds issued by
27 the port for the acquisition of said facilities, and said payments
28 shall at least fully reimburse the port for all principal and interest
29 paid by it on said bonds and for all operating or other costs, if any,
30 incurred by the port in connection with said facilities(~~(+ PROVIDED,~~
31 ~~PROVIDED,~~)). However, (~~That~~) where there is more than one user of
32 any such facilities, each user shall be responsible for its pro rata
33 share of such costs and payment of principal and interest. Any port
34 intending to provide pollution control facilities to others shall first
35 survey the port district to ascertain the potential users of such
36 facilities and the extent of their needs. The port shall conduct a
37 public hearing upon the proposal and shall give each potential user an

1 opportunity to participate in the use of such facilities upon equal
2 terms and conditions.

3 (3) "Pollution control facility," as used in this section and RCW
4 53.08.041, does not include air quality improvement equipment that
5 provides emission reductions for engines, vehicles, and vessels.

6 **PART 2**
7 **PUBLIC SECTOR FUEL USE**

8 **Sec. 201.** RCW 43.19.642 and 2006 c 338 s 10 are each amended to
9 read as follows:

10 ~~(1) ((All state agencies are encouraged to use a fuel blend of~~
11 ~~twenty percent biodiesel and eighty percent petroleum diesel for use in~~
12 ~~diesel powered vehicles and equipment.~~

13 ~~(2))~~ Effective June 1, 2006, for agencies complying with the
14 ultra- low sulfur diesel mandate of the United States environmental
15 protection agency for on-highway diesel fuel, agencies shall use
16 biodiesel as an additive to ultra-low sulfur diesel for lubricity,
17 provided that the use of a lubricity additive is warranted and that the
18 use of biodiesel is comparable in performance and cost with other
19 available lubricity additives. The amount of biodiesel added to the
20 ultra-low sulfur diesel fuel shall be not less than two percent.

21 ~~((3))~~ (2) Effective June 1, 2009, state agencies are required to
22 use a minimum of twenty percent biodiesel as compared to total volume
23 of all diesel purchases made by the agencies for the operation of the
24 agencies' diesel-powered vessels, vehicles, and construction equipment.

25 ~~((4))~~ (3) All state agencies using biodiesel fuel shall,
26 beginning on July 1, 2006, file ~~((quarterly))~~ biannual reports with the
27 department of general administration documenting the use of the fuel
28 and a description of how any problems encountered were resolved.

29 NEW SECTION. **Sec. 202.** A new section is added to chapter 43.19
30 RCW to read as follows:

31 (1) Effective June 1, 2015, all state agencies and local government
32 subdivisions of the state, to the extent determined practicable by the
33 rules adopted by the department of community, trade, and economic
34 development pursuant to section 204 of this act, are required to

1 satisfy one hundred percent of their fuel usage for operating publicly
2 owned vessels, vehicles, and construction equipment from electricity or
3 biofuel.

4 (2) Except for cars owned or operated by the Washington state
5 patrol, when tires on vehicles in the state's motor vehicle fleet are
6 replaced, they must be replaced with tires that have the same or better
7 rolling resistance as the original tires.

8 NEW SECTION. **Sec. 203.** A new section is added to chapter 43.19
9 RCW to read as follows:

10 (1) In order to allow the motor vehicle fuel needs of state and
11 local government to be satisfied by Washington-produced biofuels as
12 provided in this chapter, the department of general administration as
13 well as local governments may contract in advance and execute contracts
14 with public or private producers, suppliers, or other parties, for the
15 purchase of appropriate biofuels, as that term is defined in RCW
16 15.110.010 (as recodified by this act), and biofuel blends. Contract
17 provisions may address items including, but not limited to, fuel
18 standards, price, and delivery date.

19 (2) The department of general administration may combine the needs
20 of local government agencies, including ports, special districts,
21 school districts, and municipal corporations, for the purposes of
22 executing contracts for biofuels and to secure a sufficient and stable
23 supply of alternative fuels.

24 NEW SECTION. **Sec. 204.** By June 1, 2010, the department shall
25 adopt rules to define practicability and clarify how state agencies and
26 local government subdivisions will be evaluated in determining whether
27 they have met the goals set out in section 202(1) of this act. At a
28 minimum, the rules must address:

29 (1) Criteria for determining how the goal in section 202(1) of this
30 act will be met by June 1, 2015;

31 (2) Factors considered to determine compliance with the goal in
32 section 202(1) of this act, including but not limited to: The regional
33 availability of fuels; vehicle costs; differences between types of
34 vehicles, vessels, or equipment; the cost of program implementation;
35 and cost differentials in different parts of the state; and

1 (3) A schedule for phased-in progress towards meeting the goal in
2 section 202(1) of this act that may include different schedules for
3 different fuel applications or different quantities of biofuels.

4 NEW SECTION. **Sec. 205.** The director of the department shall
5 appoint a coordinator that is responsible for:

6 (1) Managing, directing, inventorying, and coordinating state
7 efforts to promote, develop, and encourage a biofuels market in
8 Washington;

9 (2) Developing, coordinating, and overseeing the implementation of
10 a plan, or series of plans, for the production, transport,
11 distribution, and delivery of biofuels produced predominantly from
12 recycled products or Washington feedstocks;

13 (3) Working with the departments of transportation and general
14 administration, and other applicable state and local governmental
15 entities and the private sector, to ensure the development of biofuel
16 fueling stations for use by state and local governmental motor vehicle
17 fleets, and to provide greater availability of public biofuel fueling
18 stations for use by state and local governmental motor vehicle fleets;

19 (4) Coordinating with the Western Washington University alternative
20 automobile program for opportunities to support new Washington state
21 technology for conversion of fossil fuel fleets to biofuel, hybrid, or
22 alternative fuel propulsion;

23 (5) Coordinating with the University of Washington's college of
24 forest management and the Olympic natural resources center for the
25 identification of barriers to using the state's forest resources for
26 fuel production, including the economic and transportation barriers of
27 physically bringing forest biomass to the market;

28 (6) Coordinating with the department of agriculture and Washington
29 State University for the identification of other barriers for future
30 biofuels development and development of strategies for furthering the
31 penetration of the Washington state fossil fuel market with Washington
32 produced biofuels, particularly among public entities.

33 NEW SECTION. **Sec. 206.** A new section is added to chapter 43.01
34 RCW to read as follows:

35 (1) It is in the state's interest and to the benefit of the people
36 of the state to encourage the use of electrical vehicles in order to

1 reduce emissions and provide the public with cleaner air. This section
2 expressly authorizes the purchase of power at state expense to recharge
3 privately and publicly owned plug-in electrical vehicles at state
4 office locations where the vehicles are used for state business, are
5 commute vehicles, or where the vehicles are at the state location for
6 the purpose of conducting business with the state.

7 (2) The director of the department of general administration may
8 report to the governor and the appropriate committees of the
9 legislature, as deemed necessary by the director, on the estimated
10 amount of state-purchased electricity consumed by plug-in electrical
11 vehicles if the director of general administration determines that the
12 use has a significant cost to the state, and on the number of plug-in
13 electric vehicles using state office locations. The report may be
14 combined with the report under section 401 of this act.

15 NEW SECTION. **Sec. 207.** A new section is added to chapter 89.08
16 RCW to read as follows:

17 In addition to any other authority provided by law, conservation
18 districts are authorized to enter into crop purchase contracts for a
19 dedicated energy crop for the purposes of producing, selling, and
20 distributing biodiesel produced from Washington state feedstocks,
21 cellulosic ethanol, and cellulosic ethanol blend fuels.

22 NEW SECTION. **Sec. 208.** A new section is added to chapter 35.21
23 RCW to read as follows:

24 In addition to any other authority provided by law, public
25 development authorities are authorized to enter into crop purchase
26 contracts for a dedicated energy crop for the purposes of producing,
27 selling, and distributing biodiesel produced from Washington state
28 feedstocks, cellulosic ethanol, and cellulosic ethanol blend fuels.

29 NEW SECTION. **Sec. 209.** A new section is added to chapter 35.92
30 RCW to read as follows:

31 In addition to any other authority provided by law, municipal
32 utilities are authorized to produce and distribute biodiesel, ethanol,
33 and ethanol blend fuels, including entering into crop purchase
34 contracts for a dedicated energy crop for the purpose of generating
35 electricity or producing biodiesel produced from Washington feedstocks,

1 cellulose ethanol, and cellulose ethanol blend fuels for use in
2 internal operations of the electric utility and for sale or
3 distribution.

4 NEW SECTION. **Sec. 210.** A new section is added to chapter 54.04
5 RCW to read as follows:

6 In addition to any other authority provided by law, public utility
7 districts are authorized to produce and distribute biodiesel, ethanol,
8 and ethanol blend fuels, including entering into crop purchase
9 contracts for a dedicated energy crop for the purpose of generating
10 electricity or producing biodiesel produced from Washington feedstocks,
11 cellulose ethanol, and cellulose ethanol blend fuels for use in
12 internal operations of the electric utility and for sale or
13 distribution.

14 **PART 3**
15 **ENERGY FREEDOM PROGRAM**

16 **Sec. 301.** RCW 15.110.010 and 2006 c 171 s 2 are each amended to
17 read as follows:

18 The definitions in this section apply throughout this chapter
19 unless the context clearly requires otherwise.

20 (1) "Applicant" means any political subdivision of the state,
21 including port districts, counties, cities, towns, special purpose
22 districts, and other municipal corporations or quasi-municipal
23 corporations. "Applicant" may also include federally recognized tribes
24 and state institutions of higher education with appropriate research
25 capabilities.

26 (2) "Alternative fuel" means all products or energy sources used to
27 propel motor vehicles, other than conventional gasoline, diesel, or
28 reformulated gasoline. "Alternative fuel" includes, but is not limited
29 to, cellulose, liquefied petroleum gas, liquefied natural gas,
30 compressed natural gas, biofuels, biodiesel fuel, E85 motor fuel, fuels
31 containing seventy percent or more by volume of alcohol fuel, fuels
32 that are derived from biomass, hydrogen fuel, anhydrous ammonia fuel,
33 nonhazardous motor fuel, or electricity, excluding onboard electric
34 generation.

1 (3) "Assistance" includes loans, leases, product purchases, or
2 other forms of financial or technical assistance.

3 (~~(3)~~) (4) "Biofuel" includes, but is not limited to, biodiesel,
4 ethanol, and ethanol blend fuels and renewable liquid natural gas or
5 liquid compressed natural gas made from biogas.

6 (5) "Biogas" includes waste gases derived from landfills and
7 wastewater treatment plants and dairy and farm wastes.

8 (6) "Cellulose" means lignocellulosic, hemicellulosic, or other
9 cellulosic matter that is available on a renewable or recurring basis,
10 including dedicated energy crops and trees, wood and wood residues,
11 plants, grasses, agricultural residues, fibers, animal wastes and other
12 waste materials, and municipal solid waste.

13 (7) "Coordinator" means the person appointed by the director of the
14 department of community, trade, and economic development.

15 (8) "Department" means the department of (~~(agriculture)~~) community,
16 trade, and economic development.

17 (~~(4)~~) (9) "Director" means the director of the department of
18 (~~(agriculture)~~) community, trade, and economic development.

19 (~~(5)~~) (10) "Green highway zone" means an area in the state
20 designated by the department that is within reasonable proximity of
21 state route number 5, state route number 90, and state route number 82.

22 (11) "Peer review committee" means a board, appointed by the
23 director, that includes bioenergy specialists, energy conservation
24 specialists, scientists, and individuals with specific recognized
25 expertise.

26 (~~(6)~~) (12) "Project" means the construction of facilities,
27 including the purchase of equipment, to convert farm products or wastes
28 into electricity or gaseous or liquid fuels or other coproducts
29 associated with such conversion. These specifically include fixed or
30 mobile facilities to generate electricity or methane from the anaerobic
31 digestion of organic matter, and fixed or mobile facilities for
32 extracting oils from canola, rape, mustard, and other oilseeds.
33 "Project" may also include the construction of facilities associated
34 with such conversion for the distribution and storage of such
35 feedstocks and fuels.

36 (~~(7)~~) (13) "Refueling project" means the construction of new
37 alternative fuel refueling facilities, as well as upgrades and

1 expansion of existing refueling facilities, that will enable these
2 facilities to offer alternative fuels to the public.

3 (14) "Research and development project" means research and
4 development, by an institution of higher education as defined in
5 subsection (1) of this section, relating to:

6 (a) Bioenergy sources including but not limited to biomass and
7 associated gases; or

8 (b) The development of markets for bioenergy coproducts.

9 **Sec. 302.** RCW 15.110.020 and 2006 c 171 s 3 are each amended to
10 read as follows:

11 (1) The energy freedom program is established within the
12 department. The director may establish policies and procedures
13 necessary for processing, reviewing, and approving applications made
14 under this chapter.

15 (2) When reviewing applications submitted under this program, the
16 director shall consult with those agencies and other public entities
17 having expertise and knowledge to assess the technical and business
18 feasibility of the project and probability of success. These agencies
19 may include, but are not limited to, Washington State University, the
20 University of Washington, the department of ecology, (~~the department~~
21 ~~of community, trade, and economic development,~~) the department of
22 natural resources, the department of agriculture, the department of
23 general administration, local clean air authorities, and the Washington
24 state conservation commission.

25 (3) Except as provided in subsection (4) of this section, the
26 director, in cooperation with the department of (~~community, trade, and~~
27 ~~economic development~~) agriculture, may approve an application only if
28 the director finds:

29 (a) The project will convert farm products (~~or~~) wastes,
30 cellulose, or biogas directly into electricity or (~~into gaseous or~~
31 ~~liquid fuels~~) biofuel or other coproducts associated with such
32 conversion;

33 (b) The project demonstrates technical feasibility and directly
34 assists in moving a commercially viable project into the marketplace
35 for use by Washington state citizens;

36 (c) The facility will produce long-term economic benefits to the
37 state, a region of the state, or a particular community in the state;

1 (d) The project does not require continuing state support;

2 (e) The assistance will result in new jobs, job retention, or
3 higher incomes for citizens of the state;

4 (f) The state is provided an option under the assistance agreement
5 to purchase a portion of the fuel or feedstock to be produced by the
6 project, exercisable by the department of general administration;

7 (g) The project will increase energy independence or diversity for
8 the state;

9 (h) The project will use feedstocks produced in the state, if
10 feasible, except this criterion does not apply to the construction of
11 facilities used to distribute and store fuels that are produced from
12 farm products or wastes;

13 (i) Any product produced by the project will be suitable for its
14 intended use, will meet accepted national or state standards, and will
15 be stored and distributed in a safe and environmentally sound manner;

16 (j) The application provides for adequate reporting or disclosure
17 of financial and employment data to the director, and permits the
18 director to require an annual or other periodic audit of the project
19 books; and

20 (k) For research and development projects, the application has been
21 independently reviewed by a peer review committee as defined in RCW
22 15.110.010 (as recodified by this act) and the findings delivered to
23 the director.

24 (4) When reviewing an application for a refueling project, the
25 coordinator may award a grant or a loan to an applicant if the director
26 finds:

27 (a) The project will offer alternative fuels to the motoring
28 public;

29 (b) The project does not require continued state support;

30 (c) The project is located within a green highway zone as defined
31 in RCW 15.110.010 (as recodified by this act);

32 (d) The project will contribute towards an efficient and adequately
33 spaced alternative fuel refueling network along the green highways
34 designated in RCW 47.17.020, 47.17.135, and 47.17.140; and

35 (e) The project will result in increased access to alternative
36 fueling infrastructure for the motoring public along the green highways
37 designated in RCW 47.17.020, 47.17.135, and 47.17.140.

1 ~~(5)(a)~~ The director may approve ~~((an))~~ a project application for
2 assistance under subsection (3) of this section up to five million
3 dollars. In no circumstances shall this assistance constitute more
4 than fifty percent of the total project cost.

5 ~~((+5))~~ (b) The director may approve a refueling project
6 application for a grant or a loan under subsection (4) of this section
7 up to fifty thousand dollars. In no circumstances shall a grant or a
8 loan award constitute more than fifty percent of the total project
9 cost.

10 (6) The director shall enter into agreements with approved
11 applicants to fix the terms and rates of the assistance to minimize the
12 costs to the applicants, and to encourage establishment of a viable
13 bioenergy or biofuel industry. The agreement shall include provisions
14 to protect the state's investment, including a requirement that a
15 successful applicant enter into contracts with any partners that may be
16 involved in the use of any assistance provided under this program,
17 including services, facilities, infrastructure, or equipment.
18 Contracts with any partners shall become part of the application
19 record.

20 ~~((+6))~~ (7) The director may defer any payments for up to twenty-
21 four months or until the project starts to receive revenue from
22 operations, whichever is sooner.

23 **Sec. 303.** RCW 15.110.040 and 2006 c 171 s 5 are each amended to
24 read as follows:

25 (1) If the total requested dollar amount of assistance awarded for
26 projects under RCW 15.110.020(3) (as recodified by this act) exceeds
27 the amount available in the energy freedom account created in RCW
28 15.110.050 (as recodified by this act), the applications must be
29 prioritized based upon the following criteria:

30 ~~((+1))~~ (a) The extent to which the project will help reduce
31 dependence on petroleum fuels and imported energy either directly or
32 indirectly;

33 ~~((+2))~~ (b) The extent to which the project will reduce air and
34 water pollution either directly or indirectly;

35 ~~((+3))~~ (c) The extent to which the project will establish a viable
36 bioenergy or biofuel production capacity in Washington;

1 ((+4)) (d) The benefits to Washington's agricultural producers;
2 ~~((and~~
3 ~~+5))~~ (e) The benefits to the health of Washington's forests;
4 (f) The beneficial uses of biogas; and
5 (g) The number and quality of jobs and economic benefits created by
6 the project.

7 (2) This section does not apply to grants or loans awarded for
8 refueling projects under RCW 15.110.020(4) (as recodified by this act).

9 NEW SECTION. Sec. 304. If the total requested dollar amount of
10 funds for refueling projects under RCW 15.110.020(4) (as recodified by
11 this act) exceeds the amount available for refueling projects in the
12 energy freedom account created in RCW 15.110.050 (as recodified by this
13 act), the applications must be prioritized based upon the following
14 criteria:

15 (1) The extent to which the project will help reduce dependence on
16 petroleum fuels and imported energy either directly or indirectly;

17 (2) The extent to which the project will reduce air and water
18 pollution either directly or indirectly;

19 (3) The extent to which the project will establish a viable
20 bioenergy production capacity in Washington;

21 (4) The extent to which the project will make biofuels more
22 accessible to the motoring public;

23 (5) The benefits to Washington's agricultural producers; and

24 (6) The number and quality of jobs and economic benefits created by
25 the project.

26 **Sec. 305.** RCW 15.110.050 and 2006 c 371 s 223 are each amended to
27 read as follows:

28 (1) The energy freedom account is created in the state treasury.
29 All receipts from appropriations made to the account and any loan
30 payments of principal and interest derived from loans made under this
31 chapter must be deposited into the account. Moneys in the account may
32 be spent only after appropriation. Expenditures from the account may
33 be used only for assistance for projects consistent with this chapter
34 or otherwise authorized by the legislature. ~~((Administrative costs of~~
35 ~~the department may not exceed three percent of the total funds~~
36 ~~available for this program.))~~

1 (2) The green energy incentive account is created in the state
2 treasury as a subaccount of the energy freedom account. All receipts
3 from appropriations made to the green energy incentive account shall be
4 deposited into the account, and may be spent only after appropriation.
5 Expenditures from the account may be used only for:

6 (a) Refueling projects awarded under this chapter;

7 (b) Pilot projects for plug-in hybrids, including grants provided
8 for the electrification program set forth in section 408 of this act;
9 and

10 (c) Demonstration projects developed with state universities as
11 defined in RCW 28B.10.016 and local governments that result in the
12 design and building of a hydrogen vehicle fueling station.

13 (3) Any state agency receiving funding from the energy freedom
14 account is prohibited from retaining greater than three percent of any
15 funding provided from the energy freedom account for administrative
16 overhead or other deductions not directly associated with conducting
17 the research, projects, or other end products that the funding is
18 designed to produce unless this provision is waived in writing by the
19 director.

20 (4) Any university, institute, or other entity that is not a state
21 agency receiving funding from the energy freedom account is prohibited
22 from retaining greater than fifteen percent of any funding provided
23 from the energy freedom account for administrative overhead or other
24 deductions not directly associated with conducting the research,
25 projects, or other end products that the funding is designed to
26 produce.

27 (5) Subsections (2) through (4) of this section do not apply to
28 assistance awarded for projects under RCW 15.110.020(3) (as recodified
29 by this act).

30 **Sec. 306.** RCW 15.110.060 and 2006 c 171 s 7 are each amended to
31 read as follows:

32 The director shall report to the legislature and governor on the
33 status of the energy freedom program created under this chapter, on or
34 before December 1, ((2006)) 2007, and annually thereafter. This report
35 must include information on the projects that have been funded, the
36 status of these projects, and their environmental, energy savings, and
37 job creation benefits as well as an assessment of the availability of

1 alternative fuels in the state and best estimates to indicate, by
2 percentage, the types of biofuel feedstocks and sources that contribute
3 to biofuels used in the state and the general geographic origination of
4 such feedstocks and sources. Based on analysis of this information,
5 the report must also recommend appropriate mechanisms, including but
6 not limited to changes in state contracting practices, tax incentives,
7 or renewable fuel standard provisions, that will help Washington
8 farmers and businesses compete in an economically viable manner and
9 will encourage environmentally sustainable development of an in-state
10 biofuels industry based on feedstocks grown and produced in Washington.

11 NEW SECTION. Sec. 307. (1) Energy freedom program projects funded
12 pursuant to RCW 15.110.050 (as recodified by this act) or by the
13 legislature pursuant to sections 191 and 192, chapter 371, Laws of 2006
14 for which the department of agriculture has signed loan agreements and
15 disbursed funds prior to June 30, 2007, shall continue to be serviced
16 by the department of agriculture.

17 (2) Energy freedom program projects funded pursuant to RCW
18 15.110.050 (as recodified by this act) or by the legislature pursuant
19 to sections 191 and 192, chapter 371, Laws of 2006 for which moneys
20 have been appropriated but loan agreements or disbursements have not
21 been completed must be transferred to the department for project
22 management on July 1, 2007, subject to the ongoing requirements of the
23 energy freedom program.

24 **PART 4**

25 **PLANNING FOR THE FUTURE**

26 NEW SECTION. Sec. 401. (1) The department of ecology and the
27 department of community, trade, and economic development, in
28 implementing executive order number 07-02 shall include an analysis of,
29 and potential for, vehicle electrification. That analysis may include:

30 (a) Use by the state of plug-in hybrid vehicles and developing
31 plug-in availability at state locations;

32 (b) Incentives to encourage the use of plug-in truck auxiliary
33 power units and truck stop electrification;

34 (c) Use of plug-in shore power for cargo and cruise ship terminals,

1 shipside technology, and use of electric power alternatives for port-
2 related operations and equipment such as switching locomotives, vessels
3 and harborcraft, and cargo-handling equipment;

4 (d) Potential uses for and availability of plug-in hybrid school
5 buses;

6 (e) Potential environmental and electrical grid impacts on
7 electrical power consumption of the conversion of a meaningful portion
8 of the state's private and public fleet to plug-in electrical power;

9 (f) Tax and fee incentives to encourage individual and fleet
10 purchases of plug-in hybrid vehicles;

11 (g) State laws, rules, tariffs, and policies that impact
12 transportation electrification and plug-in adoption, including pricing
13 with incentives for off-peak charging;

14 (h) Measures to encourage the use of plug-in vehicles by public
15 fleets, and resulting cost savings, and whether state and local fleets
16 should be required to purchase plug-in hybrid vehicles if it is
17 determined that plug-in hybrid vehicles are commercially available at
18 a reasonably comparable life-cycle cost;

19 (i) Explore the potential for the use of electrification of fixed
20 transit routes for magnetic levitation propulsion systems;

21 (j) Actions by the state to help industries located in the state
22 participate in developing and manufacturing plug-in vehicles and
23 vehicle-to-grid technologies;

24 (k) Additional ways the state can promote transportation
25 electrification in the private and public sectors, including cars and
26 light-duty vehicles, and truck stop and port electrification; and

27 (1) Potential partners for vehicle-to-grid pilot projects that test
28 the use of parked plug-in vehicles for power grid energy storage and
29 support.

30 (2) The departments of ecology and community, trade, and economic
31 development shall provide the appropriate committees of the legislature
32 an analysis or report by March 1, 2008. The report may be included
33 within the report produced for executive order number 07-02.

34 NEW SECTION. **Sec. 402.** A new section is added to chapter 28B.30
35 RCW to read as follows:

36 (1) Washington State University is directed to analyze the
37 availability of biofuels in the state and to make best estimates to

1 indicate, by percentage, the types and geographic origins of biofuel
2 feedstock sources that contribute to biofuel production and use in the
3 state, and to recommend models for possible implementation by the
4 legislature or the executive office for at least the following
5 potential biofuels incentive programs:

6 (a) Market incentives to encourage instate production of brassica-
7 based biodiesel, and cellulosic ethanol, including such market methods
8 as direct grants, production tax credits, contracting preferences, and
9 the issuance by the state of advance guaranteed purchase contracts;

10 (b) Possible preferred research programs, grants, or other forms of
11 assistance for accelerating the development of instate production of
12 cellulosic ethanol and in-state biodiesel crops and their coproducts;
13 and

14 (c) The following should be considered when evaluating potential
15 biofuel incentive programs:

16 (i) Assisting Washington farmers and businesses in the development
17 of economically viable, environmentally sustainable instate biofuel and
18 biofuel feedstock production;

19 (ii) Leveraging and encouraging private investment in biofuel
20 production and distribution and biofuel feedstock production; and

21 (iii) Assisting in the development of biofuel feedstocks and
22 production techniques that deliver the greatest net reductions in
23 petroleum dependence and carbon emissions.

24 (2) An interim report on the work required under this section must
25 be provided to the legislature and governor by December 1, 2007. A
26 final report must be provided to the legislature and governor by
27 December 1, 2008. Washington State University shall work closely with
28 the department of community, trade, and economic development on these
29 reports. The reports may be produced in conjunction with the reporting
30 requirements of RCW 15.110.060 (as recodified by this act).

31 NEW SECTION. **Sec. 403.** (1) The department of community, trade,
32 and economic development and the department of ecology shall develop a
33 framework for the state of Washington to participate in emerging
34 regional, national, and to the extent possible, global markets to
35 mitigate climate change, on a multisector basis. This framework must
36 include, but not be limited to, credible, verifiable, replicable
37 inventory and accounting methodologies for each sector involved, along

1 with the completion of the stakeholder process identified in executive
2 order number 07-02 creating the Washington state climate change
3 challenge.

4 (2) The department of community, trade, and economic development
5 and the department of ecology shall include the forestry sector and
6 work closely with the department of natural resources on those
7 recommendations.

8 (3) The department must provide a report to the legislature by
9 December 1, 2008. The report may be included within the report
10 produced for executive order number 07-02.

11 NEW SECTION. **Sec. 404.** (1) In preparing for the impacts of
12 climate change consistent with executive order number 07-02, the
13 departments of community, trade, and economic development and ecology
14 shall work with the climate impacts group at the University of
15 Washington to produce:

16 (a) A comprehensive state climate change assessment that includes
17 the impacts of global warming, including impacts to public health,
18 agriculture, the coast line, forestry, infrastructure, and water supply
19 and management;

20 (b) An analysis of the potential human health impacts of climate
21 change on the state of Washington.

22 (2) To ensure the appropriateness of these assessments for public
23 agency planning and management, the departments and the climate impacts
24 group shall consult with state and local public health resource
25 planning and management agencies.

26 (3) If adequate funding is not made available for the completion of
27 all elements required under this section, the departments and the
28 climate impacts group shall list and prioritize which research projects
29 have the greatest cost/benefit ratio in terms of providing information
30 important for planning decisions.

31 (4) The work under this section that is completed by December 1,
32 2007, must be included in the final report of the Washington climate
33 change challenge. Any further reports must be completed by December
34 15, 2008.

35 **Sec. 405.** RCW 47.17.020 and 1970 ex.s. c 51 s 5 are each amended
36 to read as follows:

1 A state highway to be known as state route number 5, and designated
2 as a Washington green highway, is established as follows:

3 Beginning at the Washington-Oregon boundary line on the interstate
4 bridge over the Columbia river at Vancouver, thence northerly by way of
5 Kelso, Chehalis, Centralia, Olympia, Tacoma, Seattle, Everett and Mt.
6 Vernon, thence northwesterly to the east of Lake Samish, thence
7 northeasterly and northerly by way of Bellingham to the international
8 boundary line in the vicinity of Blaine in Whatcom county.

9 **Sec. 406.** RCW 47.17.135 and 1979 ex.s. c 33 s 3 are each amended
10 to read as follows:

11 A state highway to be known as state route number 82, and
12 designated as a Washington green highway, is established as follows:

13 Beginning at a junction with state route number 90 in the vicinity
14 of Ellensburg, thence southerly and easterly by way of Yakima, Union
15 Gap, Sunnyside, Prosser, Kiona, and Goose Gap west of Richland, thence
16 southeasterly near Kennewick and southwesterly by way of the vicinity
17 of Plymouth to a crossing of the Columbia river at the Washington-
18 Oregon boundary line.

19 **Sec. 407.** RCW 47.17.140 and 1991 c 56 s 2 are each amended to read
20 as follows:

21 A state highway to be known as state route number 90, and
22 designated as the American Veterans Memorial Highway as well as a
23 Washington green highway, is established as follows:

24 Beginning at a junction with state route number 5, thence, via the
25 west approach to the Lake Washington bridge in Seattle, in an easterly
26 direction by way of Mercer Island, North Bend, Snoqualmie pass,
27 Ellensburg, Vantage, Moses Lake, Ritzville, Sprague and Spokane to the
28 Washington-Idaho boundary line.

29 NEW SECTION. **Sec. 408.** (1) The vehicle electrification
30 demonstration grant program is established within the department of
31 community, trade, and economic development. The director may establish
32 policies and procedures necessary for processing, reviewing, and
33 approving applications made under this chapter.

34 (2) The director may approve an application for a vehicle
35 electrification demonstration project only if the director finds:

1 (a) The applicant is a state agency, public school district, public
2 utility district, or a political subdivision of the state, including
3 port districts, counties, cities, towns, special purpose districts, and
4 other municipal corporations or quasi-municipal corporations or a state
5 institution of higher education;

6 (b) The project partially funds the purchase of or conversion of
7 existing vehicles to plug-in hybrid electric vehicles or battery
8 electric vehicles for use in the applicant's fleet or operations;

9 (c) The project partners with an electric utility and demonstrates
10 technologies to allow controlled vehicle charging, including the use of
11 power electronics or wireless technologies, to regulate time-of-day and
12 duration of charging;

13 (d) The project provides matching resources; and

14 (e) The project provides evaluation of fuel savings, greenhouse gas
15 reductions, battery capabilities, energy management system, charge
16 controlling technologies, and other relevant information determined on
17 the advice of the vehicle electrification work group.

18 (3) The director may approve an application for a vehicle
19 electrification demonstration project if the project, in addition to
20 meeting the requirements of subsection (2) of this section, also
21 demonstrates charging using on-site renewable resources or
22 vehicle-to-grid capabilities that enable the vehicle to discharge
23 electricity into the grid.

24 **PART 5**

25 **MISCELLANEOUS**

26 NEW SECTION. **Sec. 501.** Part headings used in this act are not any
27 part of the law.

28 NEW SECTION. **Sec. 502.** The following sections are codified and
29 recodified as a new chapter in Title 43 RCW entitled "Energy Freedom
30 Program":

31 RCW 15.110.005;

32 RCW 15.110.010;

33 RCW 15.110.020;

34 RCW 15.110.030;

35 RCW 15.110.040;

1 RCW 15.110.050;
2 RCW 15.110.060;
3 RCW 15.110.900;
4 RCW 15.110.901;
5 Section 204 of this act;
6 Section 205 of this act;
7 Section 304 of this act;
8 Section 307 of this act; and
9 Section 403 of this act.

10 NEW SECTION. **Sec. 503.** Sections 205 and 301 through 307 of this
11 act are necessary for the immediate preservation of the public peace,
12 health, or safety, or support of the state government and its existing
13 public institutions, and take effect July 1, 2007."

E2SHB 1303 - S AMD
By Senator Poulsen

ADOPTED 04/13/2007

14 On page 1, line 3 of the title, after "emissions;" strike the
15 remainder of the title and insert "amending RCW 70.94.017, 53.08.040,
16 43.19.642, 15.110.010, 15.110.020, 15.110.040, 15.110.050, 15.110.060,
17 47.17.020, 47.17.135, and 47.17.140; adding a new section to chapter
18 28A.300 RCW; adding new sections to chapter 43.19 RCW; adding a new
19 section to chapter 43.01 RCW; adding a new section to chapter 89.08
20 RCW; adding a new section to chapter 35.21 RCW; adding new sections to
21 chapter 35.92 RCW; adding a new section to chapter 54.04 RCW; adding a
22 new section to chapter 28B.30 RCW; adding a new chapter to Title 43
23 RCW; creating new sections; recodifying RCW 15.110.005, 15.110.010,
24 15.110.020, 15.110.030, 15.110.040, 15.110.050, 15.110.060, 15.110.900,
25 and 15.110.901; providing an effective date; and declaring an
26 emergency."

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